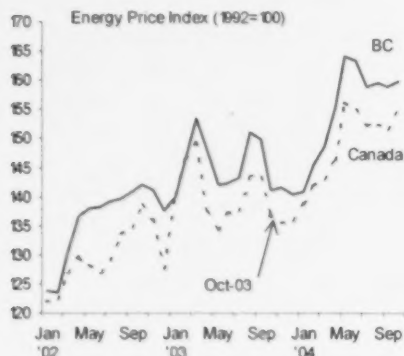


- Gas and fuel oil prices push year-over-year inflation rate up to 2.4% in October
- Retail sales advance 1.4% in September
- Farm cash receipts down 10.1% in the third quarter

Prices

- British Columbia's year-over-year inflation rate jumped to 2.4% in October, as gas and fuel oil costs continued to push up the overall price level. Although prices for energy products were virtually unchanged from the September level, they had declined in the fall of 2003, and on a year-over-year basis, the cost of energy in the province was 13.4% higher than in October 2003. (The year-over year increase in September was about half that rate, at 6.1%.) Nationally, the cost of energy was up 13.1% from October 2003; however, at the national level, energy prices were also higher than in the previous month. Excluding energy products, prices in BC increased 1.5% in October.

Energy prices fuel inflation



During the last few years, BC consumers have faced increases in fuel costs that have exceeded those at the national level. Gas prices have played a big role in keeping energy costs up: since 1992, the cost of gasoline in BC has risen 71%; this compares to a 58% increase nationally. In contrast, fuel oil prices have risen at about the same rate in BC (83%) as in Canada (84%), while natural gas costs have increased 124%, compared to 110% nationally.

Data Source: Statistics Canada

- Consumers paid more for most goods and services this October than in the same month last year. Food costs were up 1.9%, reflecting sharply higher prices for meat (+9.8%) and fresh fruit (+6.0%). Price increases for shelter (+2.6%) and transportation (+5.6%) were partly due to fuel costs, but also reflected factors such as rising insurance premiums, housing prices, and interest rates. Vancouver's inflation rate was 2.4%; in Victoria, prices were up 2.7% from October 2003.

The Canadian inflation rate was 2.3% in October, just marginally less than BC's 2.4% increase. Alberta (+1.5%) was the only province where the inflation rate was below two percent. In the rest of the country, rates ranged from 2.1% in Ontario to 3.2% in Newfoundland.

Data Source: Statistics Canada

The Economy

- Sales by BC retailers increased 1.4% (seasonally adjusted) in September, as retail activity rebounded from a slow August (-0.6%). Retailers in Alberta (+1.8%) also recovered from a slump, but the situation was not as rosy in other parts of Canada. Canadian sales edged up (+0.2%) despite weakness in both Ontario (-0.6%) and Quebec (-0.3%).

Data Source: Statistics Canada

Third Quarter in Review

- During the third quarter, retail sales in the province increased 1.8% (seasonally adjusted), building on solid gains earlier in the year. The latest increase marked the third consecutive quarterly gain. Sales growth was widespread, with retailers in most types of businesses chalking up higher revenues. Retailers of building materials, home furnishings, computers and electronics did particularly

Did you know...

Twelve percent of British Columbians hide or disguise what they're reading some or all of the time

well.

Retailers in all of the four largest provinces saw strong growth in the third quarter. BC, Alberta and Quebec all posted 1.8% increases, while sales growth in Ontario was slightly slower, at 1.5%. However, retailers in other parts of the country did not fare as well, with sales falling in four provinces, and rising only modestly (+0.3%) in Manitoba.

Data Source: Statistics Canada

Agriculture

- **Farm cash receipts were 10.1% lower in the third quarter of this year than in the same period of 2003.** The decline reflected lower revenues from the sale of both crop (-5.6%) and livestock (-16.2%) products. Cattle (-2.7%) producers continued to see their revenues dwindle—in the third quarter they were at their lowest level since 1978. Other livestock farmers are also feeling the pinch. Revenues from sales of poultry and eggs plunged (-38.7%) for the second quarter in a row. Producers of tree fruits, berries & grapes, and floriculture & nursery products accounted for much of the third quarter decline in crop receipts.

Data Source: Statistics Canada

- **Net cash income of farmers in the province increased to \$312 million in 2003, up from \$296 million in the previous year.** Nationally, net cash income fell from \$7.3 billion to \$4.4 billion (the lowest level in 25 years) during the same period. Farmers in the prairies, who were hard-hit by the effects of a ban on cattle and beef exports to the US following two years of drought, saw a big drop in cash income, which accounted for most of the decline at the national level.

Data Source: Statistics Canada

Productivity in Canada & The US

- **Information technology (IT) companies accounted for much of the productivity gain that occurred in the US between 1995 and 2000, but played a smaller role in this country.** One reason for this difference is that IT companies in the US generated about 12% of total manufacturing output in the US in 1999, more than double the share in Canada (5%). IT industries in the US are more diversified than in

Canada, where the communication equipment industry makes up almost half of the IT producing sector. In the US, the share is about a quarter.

Data Source: SC, The Daily

One step forward, one step back

- **The proportion of daily smokers who quit smoking has risen steadily since the mid-1990s, but not all of them are able to shake the habit permanently.** Between 1994/95 and 1996/97, about 10% of daily smokers in Canada quit smoking. This proportion had risen to 17% by the two-year period from 2000/01 to 2002/03. However about 4% of those who quit took up the habit again.

In 2003, 21% of men and 17% of women aged 18 or older smoked cigarettes daily. Quitting smoking was easier for those who lived in a smoke-free household. Seventeen percent of smokers in smoke-free homes were able to quit, compared to 12% who lived in a home where smoking was permitted. These smokers also consume fewer cigarettes: men in smoke-free homes consumed an average of 14 cigarettes a day, while women smoked 10 cigarettes daily. This compares to 20 and 16, respectively, for those in homes where smoking was permitted.

Data Source: SC, The Daily

The Nation

- **The national debt stood at \$494 billion at the end of September, nearly \$8 billion less than it was six months earlier.** During the six-month period ending in September, the federal government paid \$17 billion in debt charges. Total program expenditures were \$68 billion.

Data Source: Federal Department of Finance

- **Canada's composite leading indicator advanced 0.2% (seasonally adjusted) in October, as growth in the indicator continued to slow after hitting a two-year high of 1.0% in June.** The housing index, a composite of housing starts and sales, was down 1.5% and the average work week in manufacturing slipped 0.3%, but all other components of the indicator moved ahead in October.

Data Source: Statistics Canada

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Contact: Dan Schrier (250) 387-0376

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Border Congestion Threatens Trade

Trade plays a crucial role in the economy of British Columbia and transportation issues that threaten the movement of goods are a cause for concern. Almost \$77 billion worth of commodities were transported through British Columbia customs ports in 2003, including goods produced within the province, merchandise produced in other provinces, but shipped through BC, and commodities imported into the country that entered via British Columbia. This figure is actually well down from the peak of just under \$87 billion shipped through BC ports in 2000, but is substantially higher than the less than \$40 billion moved through BC customs ports in 1990.

BC customs ports handled almost \$77 billion worth of merchandise in 2003

That kind of increase in volume of goods passing through BC ports has put a strain on the transportation system. Even prior to the terrorist attacks of September 11, 2001, congestion at border crossings throughout Canada was a problem. The increased security measures implemented since then have further exacerbated the situation, causing costly slowdowns. The difficulties particularly affect goods transported by truck, which often face lengthy delays at the border, which in turn can add significantly to the cost of doing business. For companies with just-in-time inventory systems, delays in getting parts or raw materials can result in lost production or increased inventory costs. Continued problems with border waits could result in the decision to relocate manufacturing facilities to the United States, rather than in Canada, in order to avoid the need for crossing the border, a risk recognized by Federal Industry Minister David Emerson. Speaking to the Canadian Chamber of Commerce in Calgary, he said, "If you see risk at that border, you're going to go where that risk is going to hurt you less and that, in too many cases, is going to mean investment going into the States."¹

Increased security measures have exacerbated border congestion

According to a study published by the Institute for Research on Public Policy, "Almost three years have elapsed since the events of 9/11, key border crossing points are seriously congested and transit times (and the associated transportation costs) are still unacceptably high. Unless these issues are addressed quickly, there could be serious long-term damage to the Canadian economy."²

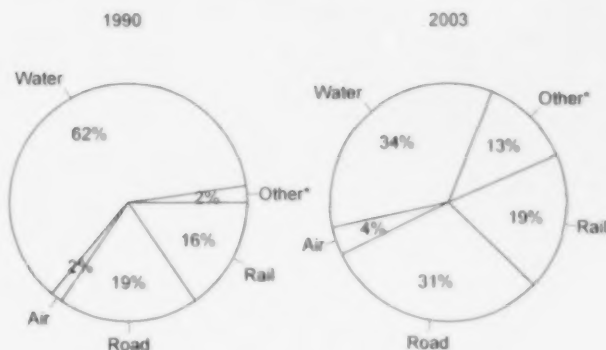
In 2003, approximately two-thirds (66%) of goods exported from British Columbia were destined for the United States. Almost half (46%) of those goods were transported by truck. Overall, almost a third (31%) of all commodities exported from British Columbia (regardless of destination) were shipped by truck. This is up substantially from 1990 when only 19% of BC

¹ As quoted in "Emerson now focusing on 'border risk'," *Vancouver Sun*, September 21, 2004, p. A26.

² Bonsor, Norman, *Fixing the Potholes in North American Transportation Systems*, IRPP Choices, vol. 10, no. 8, August 2004, p. 3.

origin exports were transported over road. In that year, the large majority (62%) of BC exports were transported over water. The reason for the change is the significant increase in trade with the United States due to the Canada-US Free Trade Agreement and the subsequent North American Free Trade Agreement. In 1990, less than half (42%) of BC exports were destined for the United States. The proximity of the United States to Canada makes road and rail transport the most economical options, whereas for shipments headed overseas, transport by boat is usually the best method.

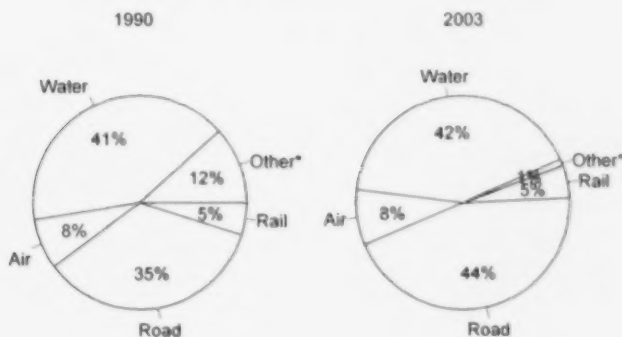
British Columbia Origin Exports by Mode of Transport



BC origin exports are increasingly being shipped by truck

* Other = powerlines and pipelines

Total Imports Cleared Through British Columbia Customs Ports by Mode of Transport



More imports are entering the province by truck as well

* Other = powerlines and pipelines

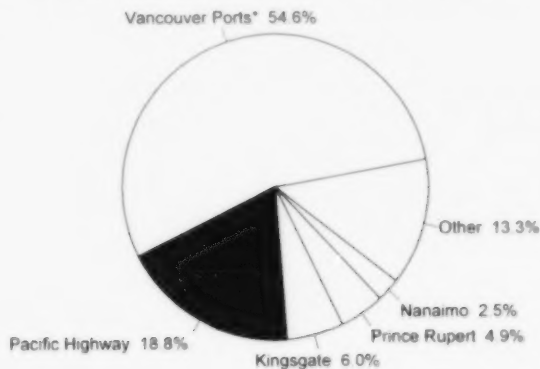
Compared to exports shipped south, a far greater percentage of imports from the United States (73%) are transported into BC by truck. This is why, despite the fact the United States was the origin of only 37% of the imports going through BC customs ports in 2003, a larger percentage of overall imports (44%) was

transported by truck.³ The other dominant mode of transport for imported goods was by ship (42%).

The busiest customs ports in the province are in the Lower Mainland, particularly the ports in Vancouver (including the airport and the seaport) and the Pacific Highway crossing into Blaine, Washington.

Busiest BC Customs Ports, 1990

(By Value of Exports and Imports Shipped Through Ports)

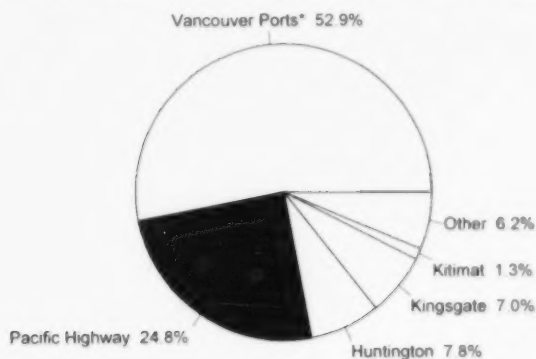


*Vancouver ports = Vancouver Marine and Rail, Vancouver Main Long Room, Vancouver International Airport, Vancouver United Terminals, and Vancouver Mail Centre

Customs ports in the Lower Mainland experience the most traffic

Busiest BC Customs Ports, 2003

(By Value of Exports and Imports Shipped Through Ports)



*Vancouver ports = Vancouver Marine and Rail, Vancouver Main Long Room, Vancouver International Airport, Vancouver United Terminals, and Vancouver Mail Centre

Traffic at the Pacific Highway crossing has risen substantially in the last decade

³ Some goods imported from overseas origins may also be transported by truck if they are first shipped to a United States port.

The Pacific Highway crossing is one of the busiest in the country with about a quarter of all goods entering or leaving the province moving through that port. The value of goods passing through the Pacific Highway port increased from \$7.5 billion in 1990 to \$19.1 billion in 2003. The substantial increase reflects the rising volume of truck traffic crossing the border in both directions and emphasizes the mounting concerns regarding border congestion.

However, it is not just delays at truck crossings that are hindering trade. Trucking capacity in general cannot keep up with demand. There is currently a shortage of drivers and the situation is being exacerbated by heavy demand on rail and marine transport. Demand for shipping to and from Asia, particularly China, is overloading the transportation network. On top of that, high prices for commodities such as lumber have boosted exports, which are adding to the burden on rail transportation. This has exporters scrambling for alternative transportation, such as trucks. While this may be a temporary phenomenon resulting from a unique combination of events, it does point to deficiencies in transportation capacity that could result in further costs to the economy.

Supply of transportation is currently exceeded by demand, causing shipping delays

Ironically, if the demand for more trucks is met, the situation at the border could become worse. There simply isn't the necessary infrastructure in place to handle the growth in traffic. The small number of crossings, combined with a shortage of staff, could increase wait times significantly and costs will rise as a result. According to the study by the Institute for Research on Public Policy, crossing the border increases costs by as much as 10 to 15 percent.⁴ Longer wait times could escalate these costs even further.

As if these challenges aren't enough for Canadian exporters, the US Customs and Border Protection (CBP) agency has implemented a new policy effective October 1 that requires the tariff classification of all goods in a cargo shipment regardless of monetary value. Previously, goods valued at less than \$2,000 were exempt from the need for classification. Now even items valued at less than one dollar need to have a tariff classification. This could mean even further delays in clearing customs as trucks are held up due to a lack of necessary information. The longer wait times at the border and increased regulatory requirements will likely increase costs for exporters.

US customs procedures are changing, which could lengthen border waits further

These problems at the border have the potential to seriously affect trade for both BC and Canada. As a small economy dependent on trade, any impediment to the free flow of goods with BC's trading partners can have a serious impact on the province's economic performance.

⁴ Bonsor, p. 16.



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BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Jul 1/04	
BC	4,196.4	1.1
Canada	31,825.4	0.9
GDP and INCOME		% change on one year ago
(BC - at market prices)		2003
Gross Domestic Product (GDP) (\$ millions)	145,550	5.2
GDP (\$ 1997 millions)	133,600	2.5
GDP (\$ 1997 per Capita)	32,175	1.6
Personal Disposable Income (\$ 1997 per Capita)	19,758	0.3
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Sep	3,669	0.9
Merchandise Exports - Sep	2,791	-1.4
Retail Sales - Sep	4,001	1.4
CONSUMER PRICE INDEX		12-month avg % change
(all items - 1992=100)		Oct '04
BC	123.5	1.9
Canada	125.2	1.7
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)		Oct '04
Labour Force - BC	2,247	0.4
Employed - BC	2,092	0.6
Unemployed - BC	156	-1.4
		Sep '04
Unemployment Rate - BC (percent)	6.9	7.1
Unemployment Rate - Canada (percent)	7.1	7.1
INTEREST RATES (percent)		Nov 24/04 Nov 26/03
Prime Business Rate	4.25	4.50
Conventional Mortgages - 1 year	5.00	4.75
- 5 year	6.30	6.50
US/CANADA EXCHANGE RATE		Nov 24/04 Nov 26/03
(avg. noon spot rate) Cdn \$	1.1814	1.3043
US \$ (reciprocal of the closing rate)	0.8472	0.7668
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)		Oct '04
BC	704.14	3.1
Canada	685.08	2.5

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

Make your own data tables!

Population data for a number of administrative boundaries in B.C. can now be accessed through a new procedure on the BC Stats web site. Instead of providing static html, the user can now select region type, region, year, sex and five-year age group through an interactive selection process for just the data they need, when they need it. This will allow BC Stats to make available updated population data through the web site faster than ever before. The user has the option of viewing the requested information on screen in their browser and/or downloading the data in spreadsheet friendly comma delimited format files.

Historical data are available by age group and sex; projections are freely available only for population.

www.bcstats.gov.bc.ca/data/pop/pop/estspop.htm

Projected age-sex population data are available through our WebStore.

Life Expectancy at birth is also now available, using the same selection procedure, for a variety of different sub-provincial administrative boundaries.

www.bcstats.gov.bc.ca/data/pop/popstart.htm#vital

Released this week by BC STATS

- Consumer Price Index, October 2004
- Business Indicators, November 2004
- Current Statistics, November 2004

Next week

- Quarterly Regional Statistics, 3rd Quarter 2004